



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

2016 REGULAR SESSION

SENATE BILL NO. 293

FRIDAY, MARCH 18, 2016

The following bill was reported to the House from the Senate and ordered to be printed.

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ALISON LUNDERMAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adler

1 AN ACT relating to reorganization.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 42.0201 is amended to read as follows:

4 (1) There is created within the Finance and Administration Cabinet the Office of the
5 Controller.

6 (2) The Office of the Controller shall be headed by an executive director appointed by
7 the secretary of the Finance and Administration Cabinet with the approval of the
8 Governor. The executive director shall function as the state controller, who shall be
9 a person qualified by education and experience for the position and held in high
10 professional esteem in the accounting community.

11 (3) The state controller shall be the Commonwealth's chief accounting officer and shall
12 be responsible for all aspects of accounting policies and procedures, financial
13 accounting systems, and internal accounting control policies and procedures. The
14 Office of the Controller shall establish guidelines for state personnel administration
15 on issues relating to paycheck distribution dates, assignment of data elements to
16 accurately report labor costs, assignment and tracking of actual expenditures by
17 code, and coverage issues relating to Social Security and Medicare.

18 (4) The state controller; the executive director of the Office of Financial Management,
19 Finance and Administration Cabinet; and the state budget director designated under
20 KRS 11.068 shall develop and maintain the Commonwealth's strategic financial
21 management program.

22 (5) Executive directors and division directors appointed under this section shall be
23 appointed by the secretary with the approval of the Governor.

24 (6) There are established in the Office of the Controller the following organizational
25 entities:

26 (a) The Office of Financial Management, which shall be headed by an executive
27 director, shall have the duties and responsibilities established in KRS 42.410,

1 and shall serve as administrative staff to the Turnpike Authority of Kentucky.

2 The executive director shall serve as secretary to the authority;

- 3 (b) The Office of Material and Procurement Services, which shall be headed by
4 an executive director and shall have the duties established in KRS 42.024,

5 *There are established within the Office of Material and Procurement*
6 *Services the following organizational entities:*

7 *1. The Division of Professional Services and Training, which shall be*
8 *headed by a division director who is appointed by the secretary of the*
9 *Finance and Administration Cabinet pursuant to KRS 12.050, and*
10 *who shall report to the executive director; and*

11 *2. The Division of Contract Management, which shall be headed by a*
12 *division director who is appointed by the secretary of the Finance and*
13 *Administration Cabinet pursuant to KRS 12.050, and who shall report*
14 *to the executive director;*

- 15 (c) The Division of Local Government Services, which shall be headed by a
16 division director and shall be responsible for:

- 17 1. Providing property valuation administrators with fiscal, personnel,
18 payroll, training, and other essential administrative support services;
19 2. Overseeing Kentucky's Social Security coverage program, including but
20 not limited to all aspects of FICA wage reporting for state government
21 and the Commonwealth's Social Security coverage agreement;
22 3. Serving as liaison between local governments and the federal Internal
23 Revenue Service and Social Security Administration;
24 4. Serving as the payroll and fiscal officer for the sheriff and clerk in
25 counties over seventy thousand (70,000) in population, disbursing
26 various reimbursements and expenditures to local governments and
27 serving as liaison and conduit for all court fees associated with report of

1 state money through the Circuit Courts;

2 5. Directing the federal employment tax program for state employees; and

3 6. Performing state government's duties relating to the county fee system
4 for local entities;

5 (d) The Office of Statewide Accounting Services, headed by an executive director
6 appointed by the secretary of the Finance and Administration Cabinet, subject
7 to the approval of the Governor. The executive director shall report directly to
8 the state controller. The office shall perform financial record keeping
9 functions at the state controller's direction, and shall be responsible for the
10 performance of the cabinet's functions outlined in KRS 45.305, 48.800, and
11 other related statutes. There is established within the Office of Statewide
12 Accounting Services the Division of Customer Resource Center, which shall
13 be headed by a division director appointed by the secretary pursuant to KRS
14 12.050 and who shall report to the executive director of the Office of
15 Statewide Accounting Services. The division shall be responsible for:

16 1. Providing a help desk for users of state government's financial and
17 procurement system, including state employee users and vendors and
18 payees of the Commonwealth who do, or would like to do, business with
19 the state;

20 2. Training state employees in the use of state government's financial and
21 procurement system; and

22 3. Assisting cabinet entities in improving the quality of their products and
23 processes; and

24 (e) The Division of State Risk and Insurance Services, headed by a division
25 director appointed by the secretary of the Finance and Administration Cabinet,
26 subject to the approval of the Governor. The director shall report directly to
27 the state controller and shall have the duties specified in KRS 42.0651.

1 ➔Section 2. KRS 131.020 is amended to read as follows:

2 (1) The Department of Revenue, headed by a commissioner appointed by the secretary
3 with the approval of the Governor, shall be organized into the following functional
4 units:

5 (a) Office of the Commissioner of the Department of Revenue, which shall
6 consist of:

7 1. The Division of Special Investigations, headed by a division director
8 who shall report to the commissioner. The division shall investigate
9 alleged violations of the tax laws and recommend criminal prosecution
10 of the laws as warranted; and

11 2. The Division of Taxpayer Ombudsman, headed by a division director
12 who is appointed by the secretary pursuant to KRS 12.050, and who
13 shall report to the commissioner. The division~~taxpayer ombudsman,~~
14 ~~who~~ shall perform those duties set out in KRS 131.083;

15 (b) Office of Processing and Enforcement, headed by an executive director who
16 shall report directly to the commissioner. The office shall be responsible for
17 processing documents, depositing funds, collecting debt payments, and
18 coordinating, planning, and implementing a data integrity strategy. The office
19 shall consist of the:

20 1. Division of Operations, which shall be responsible for opening all tax
21 returns, preparing the returns for data capture, coordinating the data
22 capture process, depositing receipts, maintaining tax data, and assisting
23 other state agencies with similar operational aspects as negotiated
24 between the department and the other agency;

25 2. Division of Collections, which shall be responsible for initiating all
26 collection enforcement activity related to due and owing tax
27 assessments, including protest resolution, and for assisting other state

1 agencies with similar collection aspects as negotiated between the
2 department and the other state agency;

3 3. Division of Registration and Data Integrity, which shall be responsible
4 for registering businesses for tax purposes, ensuring that the data entered
5 into the department's tax systems is accurate and complete, and assisting
6 the taxing areas in proper procedures to ensure the accuracy of the data
7 over time; and

8 4. Division of Protest Resolution, which shall be responsible for ensuring
9 an independent review of tax disputes. The division shall administer the
10 protest functions for the department from office resolution through court
11 action;

12 (c) Office of Property Valuation. The Office of Property Valuation shall be
13 headed by an executive director who shall report directly to the commissioner.
14 The office shall consist of the:

15 1. Division of Local Support, which shall be responsible for providing
16 supervision, assistance, and training to the property valuation
17 administrators and sheriffs within the Commonwealth;

18 2. Division of State Valuation, which shall be responsible for providing
19 assessments of public service companies and motor vehicles, and
20 providing assistance to property valuation administrators and sheriffs
21 with the administration of tangible and omitted property taxes within the
22 Commonwealth; and

23 3. Division of Minerals Taxation and Geographical Information System
24 Services, which shall be responsible for providing geographical
25 information system mapping support, ensuring proper filing of severance
26 tax returns, ensuring consistency of unmined coal assessments, and
27 gathering and providing data to properly assess minerals to the property

1 valuation administrators within the Commonwealth;

2 (d) Office of Sales and Excise Taxes, headed by an executive director who shall
3 report directly to the commissioner. The office shall administer all matters
4 relating to sales and use taxes and miscellaneous excise taxes, including but
5 not limited to technical tax research, compliance, taxpayer assistance, tax-
6 specific training, and publications. The office shall consist of the:

7 1. Division of Sales and Use Tax, which shall administer the sales and use
8 tax; and

9 2. Division of Miscellaneous Taxes, which shall administer various other
10 taxes, including but not limited to alcoholic beverage taxes; cigarette
11 enforcement fees, stamps, meters, and taxes; gasoline tax; bank
12 franchise tax; inheritance and estate tax; insurance premiums and
13 insurance surcharge taxes; motor vehicle tire fees and usage taxes; and
14 special fuels taxes;

15 (e) Office of Income Taxation, headed by an executive director who shall report
16 directly to the commissioner. The office shall administer all matters related to
17 income and corporation license taxes, including technical tax research,
18 compliance, taxpayer assistance, tax-specific training, and publications. The
19 office shall consist of the:

20 1. Division of Individual Income Tax, which shall administer the following
21 taxes or returns: individual income, fiduciary, and employer
22 withholding; and

23 2. Division of Corporation Tax, which shall administer the corporation
24 income tax, corporation license tax, pass-through entity withholding,
25 and pass-through entity reporting requirements; and

26 (f) Office of Field Operations, headed by an executive director who shall report
27 directly to the commissioner. The office shall manage the regional taxpayer

1 service centers and the field audit program.

2 (2) The functions and duties of the department shall include conducting conferences,
3 administering taxpayer protests, and settling tax controversies on a fair and
4 equitable basis, taking into consideration the hazards of litigation to the
5 Commonwealth of Kentucky and the taxpayer. The mission of the department shall
6 be to afford an opportunity for taxpayers to have an independent informal review of
7 the determinations of the audit functions of the department, and to attempt to fairly
8 and equitably resolve tax controversies at the administrative level.

9 (3) The department shall maintain an accounting structure for the one hundred twenty
10 (120) property valuation administrators' offices across the Commonwealth in order
11 to facilitate use of the state payroll system and the budgeting process.

12 (4) Except as provided in KRS 131.190(4), the department shall fully cooperate with
13 and make tax information available as prescribed under KRS 131.190(2) to the
14 Governor's Office for Economic Analysis as necessary for the office to perform the
15 tax administration function established in KRS 42.410.

16 (5) Executive directors and division directors established under this section shall be
17 appointed by the secretary with the approval of the Governor.

18 ➔Section 3. KRS 131.083 is amended to read as follows:

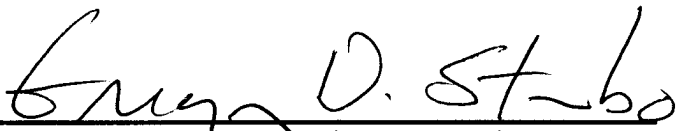
19 The department shall provide the services of a *Division of Taxpayer*
20 *Ombudsman*~~[taxpayer ombudsman]~~ to carry out the spirit and specific purposes of KRS
21 131.041 to 131.081. The *division*~~[taxpayer ombudsman]~~ shall:

- 22 (1) Coordinate the resolution of taxpayer complaints and problems, if so requested by a
23 taxpayer or the taxpayer's representative;
- 24 (2) Provide recommendations to the department for new or revised informational
25 publications and recommend taxpayer and department employee education
26 programs needed to reduce or eliminate errors or improve voluntary taxpayer
27 compliance;

- 1 (3) Provide recommendations to the department for simplification or other
2 improvements needed in tax laws, regulations, forms, systems, and procedures to
3 promote better understanding and voluntary compliance by taxpayers; and
- 4 (4) At least annually, on or before October 1, prepare and submit a report to the
5 commissioner of the Department of Revenue summarizing the activities of the
6 division~~[taxpayer ombudsman]~~ during the immediately preceding fiscal year,
7 describing any recommendations made pursuant to subsections (2) and (3) of this
8 section, including the progress in implementing such recommendations, and
9 providing such other information as the division~~[taxpayer ombudsman]~~ deems
10 appropriate relating to the rights of Kentucky taxpayers.
- 11 ➔Section 4. The General Assembly confirms Executive Order 2015-836, dated
12 November 17, 2015, to the extent it is not otherwise confirmed or superseded by this Act.



President of Senate



Speaker-House of Representatives

Attest: 

Chief Clerk of Senate

Approved 

Governor

Date 9 APRIL 2016